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December 14, 2006

TO: Each Supervisor

FROM: Bryce Yokomizo, Director

**SUBJECT: BOARD OF SUPERVISORS: MOTION (SYN 73-B JULY 5, 2006) TO
WORK WITH CHILD CARE ALLIANCE AND CDE ON ALTERNATIVES
TO ADDRESSING FRAUD IN STAGE 2 AND 3**

This is a follow-up to the August 14, 2006 status report on your Board's July 5, 2006 instruction to the Department of Public Social Services (DPSS) to work in concert with the Child Care Alliance and California Department of Education (CDE) on alternatives towards addressing the serious problem of fraud in Stage 2 and 3 Child Care Programs. This is the final report to your Board on the outcome of our discussions with CDE.

DPSS and the Child Care Alliance of Los Angeles met with Michael Jett, Director of the Child Development Division at CDE, and his staff on August 28, 2006 to pursue discussion of the administrative possibilities for a fraud investigative process in the Stage 2 and 3 programs. CDE reiterated that the current statute does not provide them with criminal prosecution authority even to contract out the function for fraud prosecutions. They stated they were pursuing administrative remedies by tightening up their regulations that have not been changed since 1988. They are in the process of drafting five separate regulatory packages, i.e., Eligibility; Need; Provider Payments; Family Fees; and a procedural package that will address how to approach fraud prevention and detection. The target date for release of the procedural package is not yet known.

In September 2006, DPSS staff had a conference call with the CDSS Branch Chiefs for the Child Care Program and Fraud Bureaus to clarify the issue of whether or not the DPSS Welfare Fraud Investigators could investigate suspected fraud in Stage 2 and 3 cases. CDSS was clear in their response that investigating suspected child care fraud in Stage 2 and 3 by the Welfare Fraud Prevention and Investigations (WFP&I) Section, our local Special Investigation Unit, is outside the scope of their responsibilities. Currently, WFP&I staff only investigate Stage 1 child care cases. When fraud is suspected in Stage 2 cases that have transitioned from Stage 1, the investigation performed by WFP&I is limited to the historical portion, i.e., to the time when the case was in Stage 1.

We informed CDE of the outcome of our conference call with CDSS and again asked them if they had any other administrative remedies that they were going to pursue to address the Stage 2 and 3 fraud investigation concerns. They said the only option currently available to them is to pursue the release of the procedural regulatory package. When asked about pursuing funding to conduct their own fraud investigations, CDE advised us that the Department of Finance makes those decisions and that they have no control over that process.

In summary, discussions with CDE have not produced the desired outcomes and it appears that continuation of this dialogue will not achieve your Board's preferred solution to the issue. Instead, it appears that state legislative or budgetary action will be needed to secure implementation of an effective system to deter and investigate Stage 2 and 3 child care fraud. Therefore, we will continue working with the Chief Administrative Office on a state legislative/budgetary strategy to accomplish this objective in 2007.

BY:sal

c: Chief Administrative Officer
County Counsel
Executive Officer, Board of Supervisors
Child Care Alliance of Los Angeles